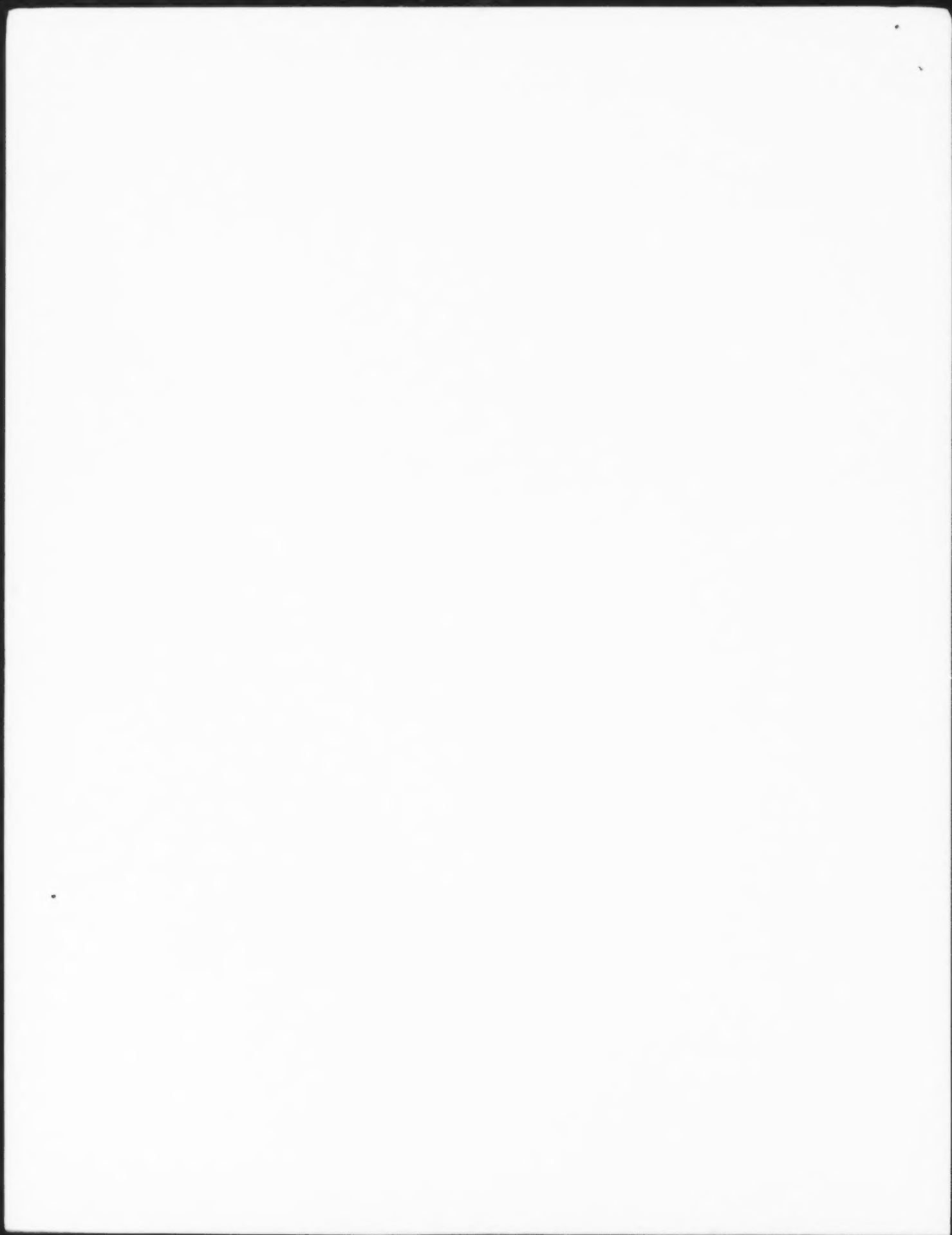


UNIVERSITY OF SASKATCHEWAN

1999 ACADEMIC PENSION PLAN

FINANCIAL STATEMENTS

For the Year Ended December 31, 2005





Provincial Auditor Saskatchewan

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1920 Broad Street
Regina, Saskatchewan
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SASKATCHEWAN

2007-00026

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AUDITOR'S REPORT

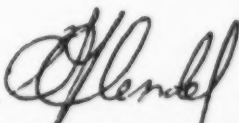
To the Members of the Legislative Assembly of Saskatchewan

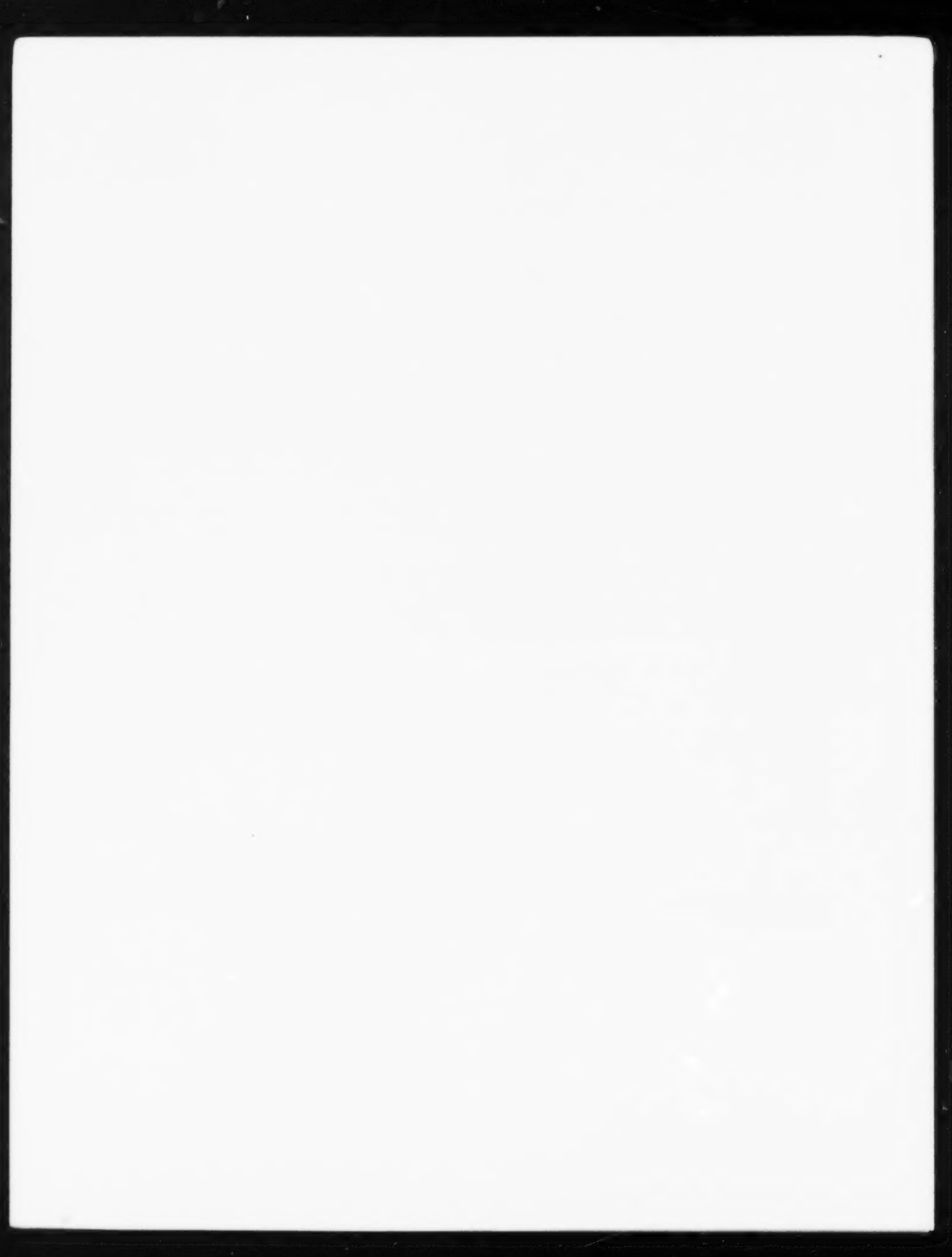
I have audited the statement of net assets available for benefits, accrued pension benefits and surplus of the University of Saskatchewan 1999 Academic Pension Plan as at December 31, 2005 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and surplus of the Plan as at December 31, 2005 and the changes in the net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
April 21, 2006


Fred Wendel, CMA, CA
Provincial Auditor



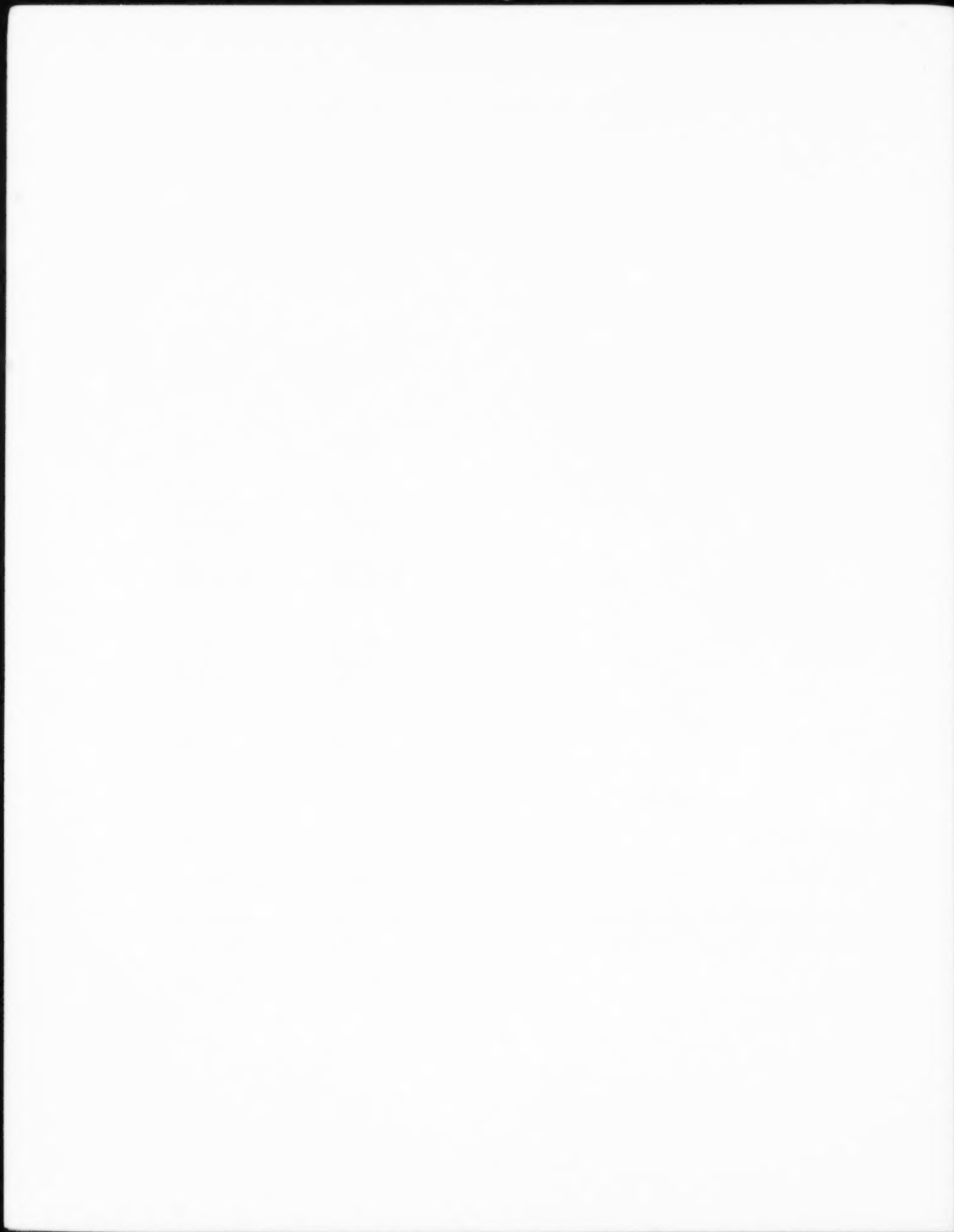
UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS,
ACCRUED PENSION BENEFITS AND SURPLUS
As at December 31

Statement 1

	2005	2004
<u>Assets</u>		
Cash	\$ 90,606	\$ 131,042
Accrued investment earnings	435,242	436,282
Investments (Note 3):		
Short term notes	7,240,017	10,654,962
Bonds	25,655,264	27,538,529
Equities	61,711,640	55,406,292
Pooled funds	64,762,018	61,121,394
	<u>159,368,939</u>	<u>154,721,177</u>
Contributions receivable:		
Employee	130,136	135,502
Employer	130,136	135,502
	<u>260,272</u>	<u>271,004</u>
 Total assets	 <u>160,155,059</u>	 <u>155,559,505</u>
 <u>Liabilities</u>		
Accounts payable	534,611	724,009
 Total liabilities	 <u>534,611</u>	 <u>724,009</u>
Net Assets Available for Benefits (Statement 2)	159,620,448	154,835,496
Accrued Pension Benefits (Statement 3)	137,572,000	136,624,000
 Surplus	 <u>\$ 22,048,448</u>	 <u>\$ 18,211,496</u>

(See accompanying notes)

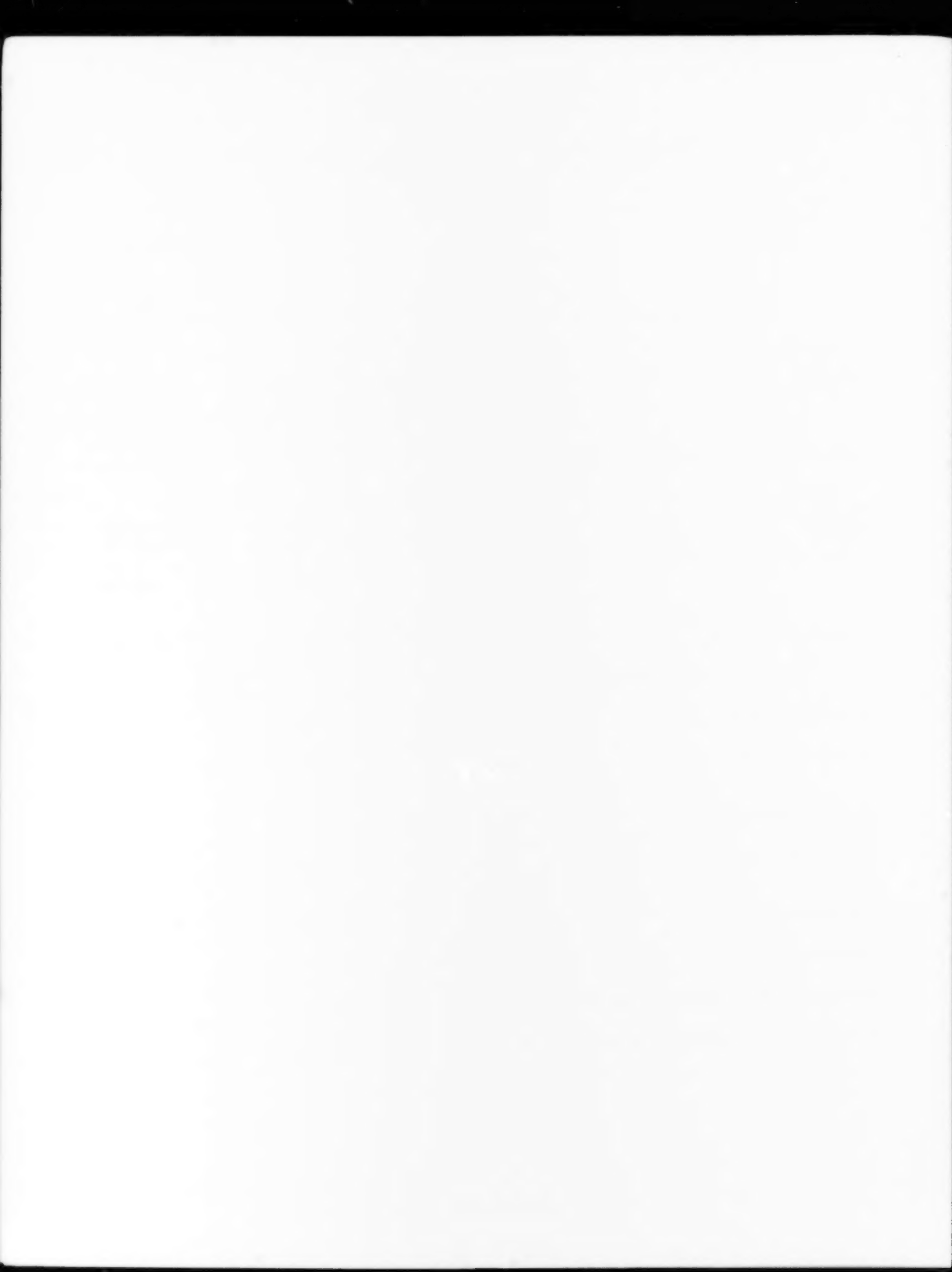


UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For The Year Ended December 31

	Statement 2	
	2005	2004
<u>Increase in Assets</u>		
Investment income:		
Interest	\$ 1,593,819	\$ 1,704,591
Dividends	1,424,750	1,210,691
	<u>3,018,569</u>	<u>2,915,282</u>
Current period change in fair values of investments	11,831,219	9,894,669
Contributions:		
Employee	1,577,356	1,634,281
Employer	1,577,356	1,634,281
Other transfers and contributions	73,249	79,349
	<u>3,227,961</u>	<u>3,347,911</u>
Total increase in assets	<u>18,077,749</u>	<u>16,157,862</u>
<u>Decrease in Assets</u>		
Plan expenses (Note 4)	467,823	439,756
Pension benefits paid	3,882,374	4,130,154
Refunds and transfers:		
Retirements	8,603,781	6,898,608
Terminations	338,819	726,936
	<u>8,942,600</u>	<u>7,625,544</u>
Total decrease in assets	<u>13,292,797</u>	<u>12,195,454</u>
Increase in net assets	4,784,952	3,962,408
Net assets available for benefits at beginning of year	<u>154,835,496</u>	<u>150,873,088</u>
Net assets available for benefits at end of year (to Statement 1)	\$ <u>159,620,448</u>	\$ <u>154,835,496</u>

(See accompanying notes)



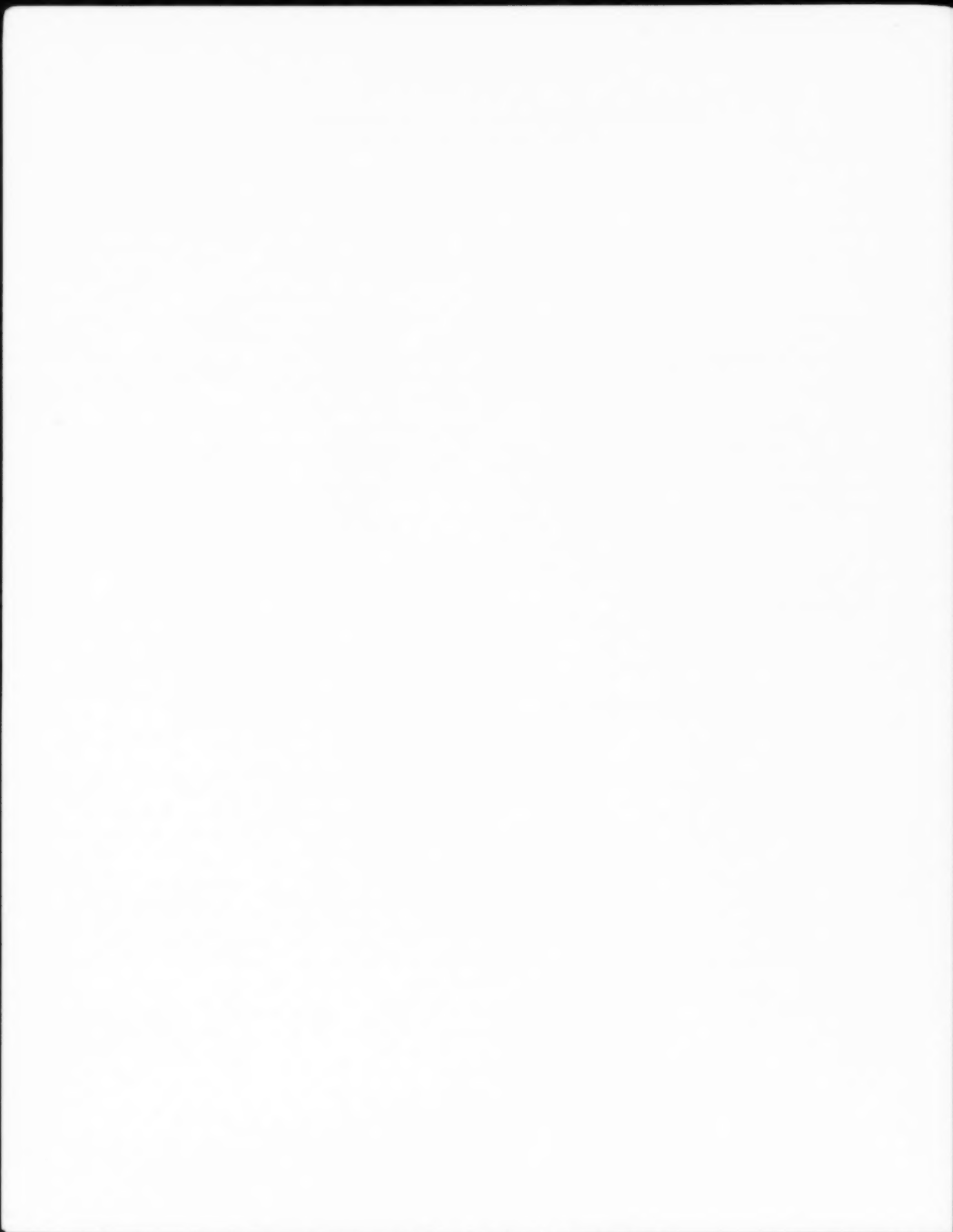
UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
For The Year Ended December 31

Statement 3

	2005 <u>(Note 5)</u>	2004 <u>(Note 5)</u>
Accrued Pension Benefits, beginning of year	\$ 136,624,000	\$ 135,468,000
Increase in Accrued Pension Benefits:		
Interest on accrued benefits	9,564,000	9,483,000
Benefits accrued with interest	3,706,000	3,642,000
Experience loss	896,000	—
Changes in assumptions	56,000	526,000
	<u>14,222,000</u>	<u>13,651,000</u>
Decrease in Accrued Pension Benefits:		
Benefits paid with interest	13,274,000	12,167,000
Experience gain	—	328,000
	<u>13,274,000</u>	<u>12,495,000</u>
Accrued Pension Benefits, end of year (to Statement 1)	<u>\$ 137,572,000</u>	<u>\$ 136,624,000</u>

(See accompanying notes)



**UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2005**

1. Plan Administration

The University of Saskatchewan 1999 Academic Pension Plan (Plan) was established January 1, 1999 following a split of the University of Saskatchewan Academic Employee's Pension Plan between its retired members and its active/inactive members. All assets and membership in respect of the active/inactive members were transferred to this Plan.

The Plan is administered by a Fringe Benefits Committee that is composed equally of appointees of the Board of Governors and the Faculty Association. The Committee provides recommendations to the Board of Governors in matters of Plan amendments and also maintains liaison with all those concerned with the operations of the Pension Plan, including the Board of Governors, the trustee, the investment advisors, the actuary and the members of the Plan.

Description of the Plan

The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan agreement.

a) General

The Plan is a defined benefit plan. Effective July 1, 2000, the Plan is closed to new members.

The Plan consists of academic and administrative employees of the University of Saskatchewan hired before July 1, 2000 who are employed on a permanent full time, seasonal full time or permanent part time basis. Participation in the plan was compulsory after completing three years of continuous service.

b) Retirement Benefits

The normal retirement date of a member is the June 30th coincident with or next following the attainment of age 67. The annual amount of pension is determined as follows:

A past service pension of:

- i) 2% of the member's best four years average pensionable salary multiplied by the member's service prior to July 1, 1965; less
- ii) the amount of pension payable under the terms of the prior plans.

Plus a current service pension of:

- iii) 2% of the member's best four years average pensionable salary multiplied by the member's service after July 1, 1965; less
- iv) .04% multiplied by their service after December 31, 2005 (to a maximum of 35 years) multiplied by the average Canada Pension Plan earnings ceiling in the year of retirement and the two previous years.

The above is a normal form of pension which provides for monthly payments for life with a minimum of 120 monthly payments being guaranteed.

Alternatively, a retiring member may elect the greater of the commuted value of the monthly retirement benefit or the total contributions together with accrued interest, and transfer this amount to a locked-in registered retirement savings vehicle or a prescribed registered retirement income fund, within the maximum tax shelter rules, with any excess being paid in cash.

c) Disability Retirement Benefits

The annual amount of pension is determined by applying the regular retirement benefit formula. Article V, Section 2(b) of the Plan provides that during a period of disability the member will be deemed to have received earnings at the member's full normal rate of pay.

d) Termination Benefits

Upon termination of employment a member may elect:

- i) to receive a deferred retirement benefit; or
- ii) to transfer an amount equal to the greater of:
 - 1) employee contributions together with the University's contributions and interest; or

2) the commuted value of the monthly retirement benefit

to a locked-in RSP or deferred annuity, within the maximum tax shelter rules, with any excess being paid in cash; or

e) Death Benefits

The beneficiary of an employee who dies before retirement will be entitled to receive an amount equal to the greater of:

- i) the sum of the member's and the University's accumulated contributions with interest; or
- ii) the commuted value of the monthly retirement benefit; or

For an employee who is deceased after retirement, the surviving beneficiary will be entitled to receive the form of pension elected by the member at the member's retirement date.

f) Plan Improvements

Article XIX of the Plan makes provision for the use of any actuarial surplus to be applied firstly to the declaration of bonus pensions to existing pensioners, with any remaining surplus to be used to improve the benefits of members in the Plan if an adequate reserve for contingencies exists.

g) Required Contributions

In accordance with the terms of the Pension Plan Agreement total contributions required are based on 13.64% of regular earnings subject to a maximum of the median of the range for full professors which is determined on an annual basis. Of this total contribution, the employee contribution is 50%.

h) Funding Policy

The Pension Plan Agreement requires the University to contribute at least 50% of the total required contribution.

The most recent actuarial valuation for funding purposes disclosed an actuarial surplus. Upon the actuary's recommendation, the Board has decided the University's future service cost is to be maintained at the level set in the plan to the next valuation. The present rate of contribution is considered adequate to fund the future service benefits.

2. Significant Accounting Policies

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the plan or the benefit security of individual plan members. These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered significant.

a) Investments

Short-term notes are recorded at cost which approximates market value.

Investments in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Investments denominated in foreign currency are translated at the exchange rate in effect at year end. Investments and realized gains and/or losses are translated at the exchange rate in effect at the transaction date. Unrealized gains and losses resulting from exchange differences are included in the determination of the change in market value of investments.

Units held in pooled funds are valued at the closing sales prices of the underlying securities as reported by the principal securities exchange on which the underlying securities are traded.

Fair value of investments approximates the market value. Transactions are recorded as of the trade date.

b) Receivables/Payables

Receivables and payables are non-interest bearing and are due or payable within the next year. Due to their immediate or short-term maturity the cost approximates the fair value.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as money market securities, bonds, Canadian and foreign equities and pooled funds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates. The Plan manages interest rate risk by investing in bonds and debentures with varying years to maturity.

b) Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service, Standard and Poor's, Moody's Investor Services and Fitch Ratings.

c) Foreign Currency Risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against these foreign currencies results in a positive or negative effect on the fair value of investments. The Plan manages the foreign currency risk by limiting the Plan's holdings of foreign investments by diversifying the investment portfolio by country.

d) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all

securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Procedures.

Short-term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 2.33% to 3.27% (2004 – 2.33% to 2.59%) and a term to maturity of 365 days or less. The Plan's investment policy states that investments must meet a minimum investment standard of "R1", as rated by a recognized credit rating service.

Bonds

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated bonds cannot exceed 15% of the market value of the bond portfolio.

	2005 (\$000)					2004 (\$000)	
Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Current Yield	Total Market Value	Current Yield
Under 5	\$1,151	1,652	4,555	7,358	3.65% - 6.51%	5,667	4.97% - 6.03%
5 - 10	4,784	1,376	5,837	11,997	4.46% - 6.11%	15,238	4.41% - 7.63%
Over 10	3,147	1,941	1,212	6,300	4.49% - 5.72%	6,634	5.03% - 6.11%
Market Value	<u>\$ 9,082</u>	<u>4,969</u>	<u>11,604</u>	<u>25,655</u>		<u>27,539</u>	

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's investment policy allows no one holding to represent more than 12% of the market value of the equity portfolio and no one holding to represent more than 10% of the common stock in any corporation. The average dividend rate is 2.07% (2004 – 2.21%).

	Market Value (\$000)	
	2005	2004
Common shares	\$35,622	\$33,060
Foreign preferred shares	753	134
Foreign common shares	25,337	22,212
	<u>\$ 61,712</u>	<u>\$ 55,406</u>

Pooled Funds

The Plan holds units in pooled funds which have no fixed interest rate and its returns are based on the success of the manager. The Plan's pooled funds are comprised of the Jarislowsky Fraser Special Equity Fund, BGI Universe Bond Index Fund, BGI Pension U.S. Equity Index Fund, and Jarislowsky Fraser International Equity Fund.

Investment in a pooled fund should not exceed 10% of the market value of the pooled fund.

	Market Value (\$000)	
	2005	2004
Canadian	\$36,464	\$34,219
Foreign	28,298	26,902
	<u>\$64,762</u>	<u>\$61,121</u>

Investment Return

The following is a summary of the Plan's investment performance:

<u>As of December 31, 2005</u>	<u>1 year</u>	<u>4 year</u>
Plan Return	9.8%	5.6%
Plan Objective	9.9%	5.4%

The Plan's objective for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange Index, Standard & Poor's 500 U.S. Stock Index and the Scotia Capital Universe Bond Index.

4. Plan Expenses

	2005		2004
	Budget	Actual	Actual
Investment management fees	\$333,000	\$284,707	\$225,720
Trustee fees	73,000	57,851	66,603
Administration fees	24,100	39,629	38,854
Actuarial and consulting services	85,000	85,636	108,579
Total	<u>\$515,100</u>	<u>\$467,823</u>	<u>\$439,756</u>

5. Accrued Pension Benefits

An actuarial valuation of the Plan was performed by Aon Consulting Inc., a firm of consulting actuaries, as at December 31, 2005 and December 31, 2004. The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions of management.

The net experience during the year was attributable to several factors as outlined below:

	2005	2004
Interest on contribution balances greater than assumed	\$ 2,082,000	\$ 817,000
Gain due to active members retiring	(427,000)	(1,414,000)
Salary increases greater (less) than expected	(708,000)	76,000
Pensioner mortality	43,000	111,000
Miscellaneous	(94,000)	82,000
	<u>\$ 896,000</u>	<u>\$ (328,000)</u>

Significant long-term actuarial assumptions used in the valuation were:

	2005	2004
Salary escalation rate	3.5%	3.5%
Inflation rate	3.0%	3.0%
Interest rate	7.0%	7.0%
Mortality table	UP 94	UP 94
	projected to 2006	projected to 2005

During the year, the mortality assumptions were updated to reflect current tables. This has resulted in an increase to the accrued pension benefits of \$56,000.

The actual rates may vary significantly from the long-term assumptions used. The following illustrates the effect of changing certain assumptions from assumed rates of: inflation 3.0%, salary 3.5% and interest rate 7.0%.

Long Term Assumptions						
Inflation *		Salary		Interest		
4.0%	2.0%	4.5%	2.5%	8.0%	6.0%	
(Decrease)						
Increase in						
obligation for pension benefits	(2.5%)	3.6%	8%	(.5%)	(2.7%)	4.8%

* The interest rate is equal to the inflation rate plus a real rate of return. The salary increase, YMPE increase and the Income Tax Act maximum pension increase equals the inflation rate plus 0.5% for productivity. Thus changing the inflation rate by plus/minus 1% will automatically increase/decrease the interest rate, salary increase, YMPE increase, and Income Tax Act maximum pension increase assumptions by 1%.

Since the Plan provides 100% CPI indexing up to maximum of 2% for the first 5 years after retirement, the sensitivity analysis for changing the inflation rate assumption does not impact this result.

The pension liability is long term in nature. The plan has no intention of settling its pension obligation in the near term and there is no market for settling its pension obligations. Therefore, determination of the fair value of the pension liability is not practical.

To protect the Plan against future adverse demographic or investment experience, the Pension Plan Agreement, under article XIX 5., allows that any surplus which may arise from the operation of the Plan which is not required to meet the actuarial liabilities existing thereunder shall accumulate as a reserve for contingencies.

The University contributes to the Plan on behalf of its employees based on the advice of the Plan's actuary within minimum amounts specified in accordance with the plan and the collective bargaining agreement. The assets, including any potential surplus in the plan, are for the benefit of the members and their beneficiaries. There is no provision that allows the withdrawal of the surplus by the University.

6. Related Parties

The Plan is related to the University of Saskatchewan and other pension plans sponsored by the University of Saskatchewan.

The Plan pays for plan expenses, including certain administration fees and miscellaneous expenses, which the University of Saskatchewan incurs and charges the Plan. The administrative expenses charged by the University of Saskatchewan in 2005 were \$23,212 (2004 - \$27,913).

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms. Other transactions are disclosed separately in these financial statements.

